



ACN 092 471 513

QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2018

HIGHLIGHTS

PENNY'S FIND GOLD MINE KALGOORLIE (WA)

- **25,771 dry tonnes of ore processed at an average head grade of 6.55g/t Au**
- **5,061 ounces recovered and sold at an average \$1,698/oz**
- **All-In Sustaining Cost (AISC) A\$945 per ounce for quarter.**
- **Average gold grade increasing with depth**
- **Underground feasibility study nearing completion**

Post Quarter

- **Fourth toll treatment campaign (~28,000t) commenced at the Lakewood Mill**

REVIEW OF OPERATIONS

Penny's Find (WA): gold mine (60% interest)

Empire Resources Ltd ('Empire', 'Company', ASX code: ERL) holds a 60% interest in and acts as Manager for the Penny's Find Joint Venture ("PFJV") that owns and operates the Penny's Find gold mine, located 50km northeast of Kalgoorlie in Western Australia. The remaining 40% interest is held by unlisted Brimstone Resources Ltd.

Open pit mining commenced at Penny's Find in May 2017.

Open Pit Mining

During the March 2018 quarter, 25,771 dry tonnes of ore were mined and processed from the Penny's Find open pit which has reached a depth of 75 metres. No major operational problems were encountered in the pit during the quarter.

Open pit mining is expected to finish by the end of April 2018 when the pit will have reached a depth of 85m.

A photograph of the open pit operation taken at the end of the quarter is shown below in Figure 1.



Figure 1 : Penny's Find Open Pit looking north.

One Lost Time Injury was reported during the quarter. The contractor's employee has recovered and returned to normal duties.

Gold Treatment

Lakewood Mill

One toll treatment campaign was completed during the quarter at the Lakewood Mill situated on the southern outskirts of Kalgoorlie - Boulder.

After receiving final reconciliations from the Lakewood Mill and Perth Mint, this campaign processed a total of **25,771** dry tonnes of ore at an average calculated head grade of **6.55g/t Au**.

Details of the quarter's production are:

- Total gold recovered was **5,061oz** which includes gold poured and gold retained on carbon the value of which is paid by the mill to the PFJV partners.
- Average total gold recovery was **93.2%**, with **56%** recovered by gravity.
- Total gold sales amounted to **A\$8.6 million**.
- Average price per ounce received was **\$1,698**
- The All-In Sustaining Cost (AISC) was **A\$945** per ounce for the quarter. Since gold production started, the AISC is A\$1,288 per ounce.
- Average gold grades continue to increase with depth as shown in Figure 2.

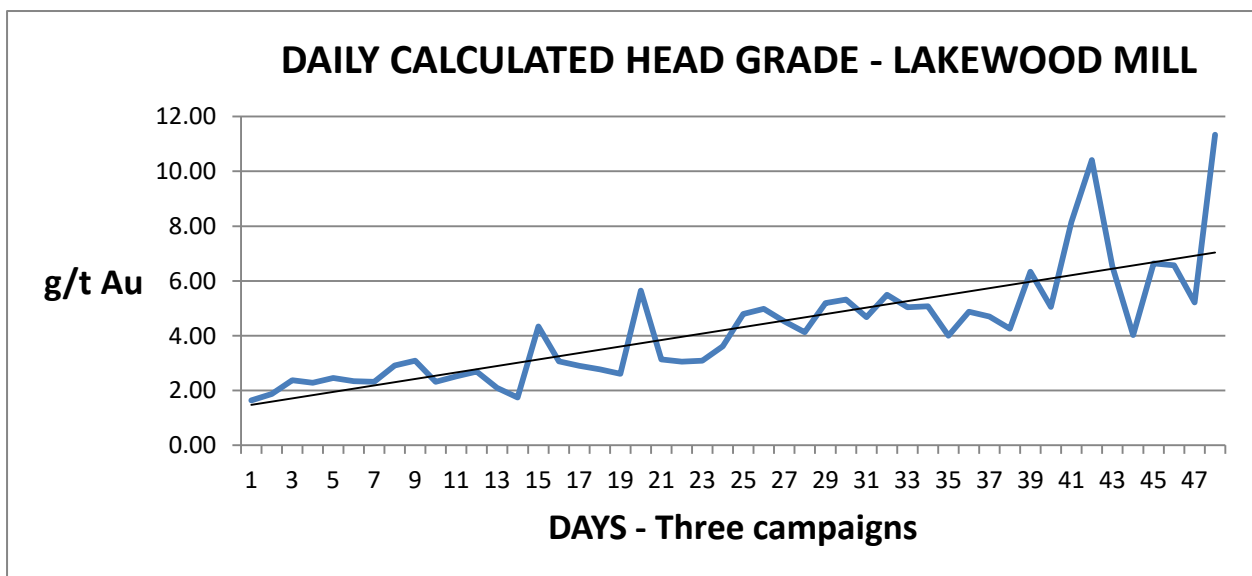


Figure 2 : Average gold grade increasing as ore is sourced from deeper within the open pit

Post Quarter

A fourth toll treatment campaign commenced at the Lakewood Mill on 14 April 2018. This campaign will process the final approximately **28,000** tonnes of high grade ore from the bottom of the open pit. The campaign is expected to take two weeks to complete.

Burbanks

As announced to the ASX on 29 March 2018, dispute resolution proceedings have commenced between Empire and Eastern Goldfields Milling Services (EGMS) operators of the Burbanks Mill at Coolgardie. EGMS is a wholly owned subsidiary of Maximus Resources Limited ('Maximus', ASX code MXR).

Empire is seeking to recover in excess of \$830,000 owed to the Company following the processing in October to December 2017 by EGMS of ore from the Penny's Find Joint Venture

The claim can be broken down into 3 areas:

Failure to pay Final Gold in Circuit (GIC)

EGMS has failed to pay to Empire 384.75 ounces of gold resulting from the final GIC conducted at the Burbanks facility following termination of the milling campaign in December 2017.

The value of that gold at a gold price of \$1,740 per ounce (the Perth Mint buy price as at 26 March 2018) is \$669,461. Offset against this are amounts owed by Empire to EGMS of \$370,436 leaving a balance owing of \$299,025.

Maximus in an article in the business section of the West Australian newspaper dated 31 March 2018, did not dispute the amount of GIC owing to the Company.

The Final GIC was due for payment on 16 January 2018. .

Gold Ounces Discrepancy

Following a thorough review by a metallurgical consultant of the records maintained by EGMS, Empire believes EGMS has failed to account for 315 ounces of gold contained in ore that was delivered to the Burbanks Facility.

The gold Empire is seeking recompense for has been determined only from data provided by EGMS and has been verified by a second independent metallurgical consultant.

The value of that gold at \$1,740 per ounce is \$548,100.

Calculation of Belt Calibration Adjustments Errors

Empire believes belt calibration adjustments applied to the amount of ore as measured by the weightometer have been incorrectly applied by EGMS.

This error has resulted in an overcharge for toll milling fees of \$55,009.35.

The announcement to the ASX (19 April, 2018) by Maximus has effectively confirmed the position taken by ERL and the Company will be seeking satisfaction of the Claim.

Other

The final amount claimed will be subject to adjustment for the gold price, the silver price, legal costs and other adjustments.

If the matter is not settled by negotiation between the parties, the Company will proceed to a formal arbitration.

This has been a difficult episode for the Company because even though the Toll Treatment Agreement was signed on 3 July 2017, production did not commence until 7 October 2017, with the first gold pour on 26 October 2017. The Agreement was eventually terminated because, along with high haulage costs, the treatment of Penny's Find ore through the Burbanks facility had not met the Company's expectations. Production ceased on 21 December 2017.

Potential Future Underground Operations

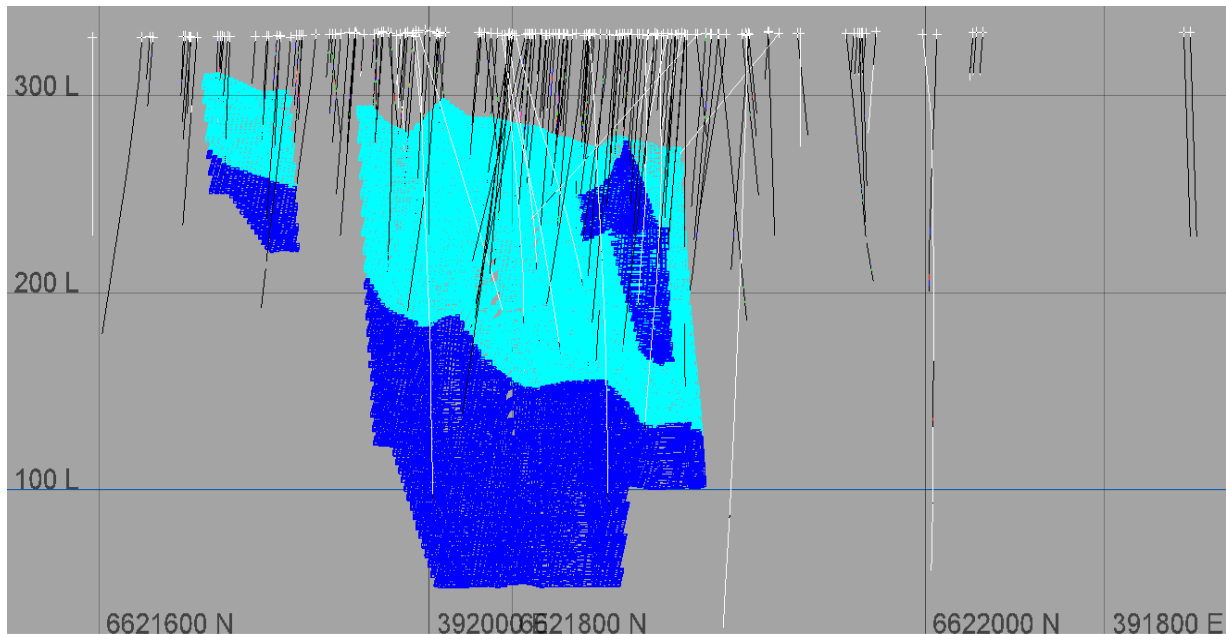
Underground Resource

On 13 December 2017 the Company reported to the ASX an updated Penny's Find underground resource of **248,000 tonnes @ 7.04g/t Au for 56,000oz** (Table 1).

This underground mineral resource extends from the planned base of the current open pit operation (max. 85m depth) to at least 250m below surface and remains open at depth (Figure 3).

Table 1

Penny's Find Gold Mine Resources - Underground 1.5g/t Au lower cut-off			
Class	Tonnes	Au g/t	Contained Ounces
Measured	-	-	-
Indicated	147,000	8.06	38,000
Inferred	101,000	5.57	18,000
TOTAL	248,000	7.04	56,000



**Figure 3: Long Section (looking west) shows all blocks by classification.
Light Blue – Indicated, Dark Blue – Inferred**

Underground Feasibility

The full underground mine feasibility study, which will determine mining reserves available to be extracted from the underground operations directly below the Penny's Find open pit, is currently being undertaken. The potential ore reserve and mine design portion of this study is being carried out by mining consultants Intermine Engineering Consultants. The feasibility study is expected to be completed early in the next quarter.

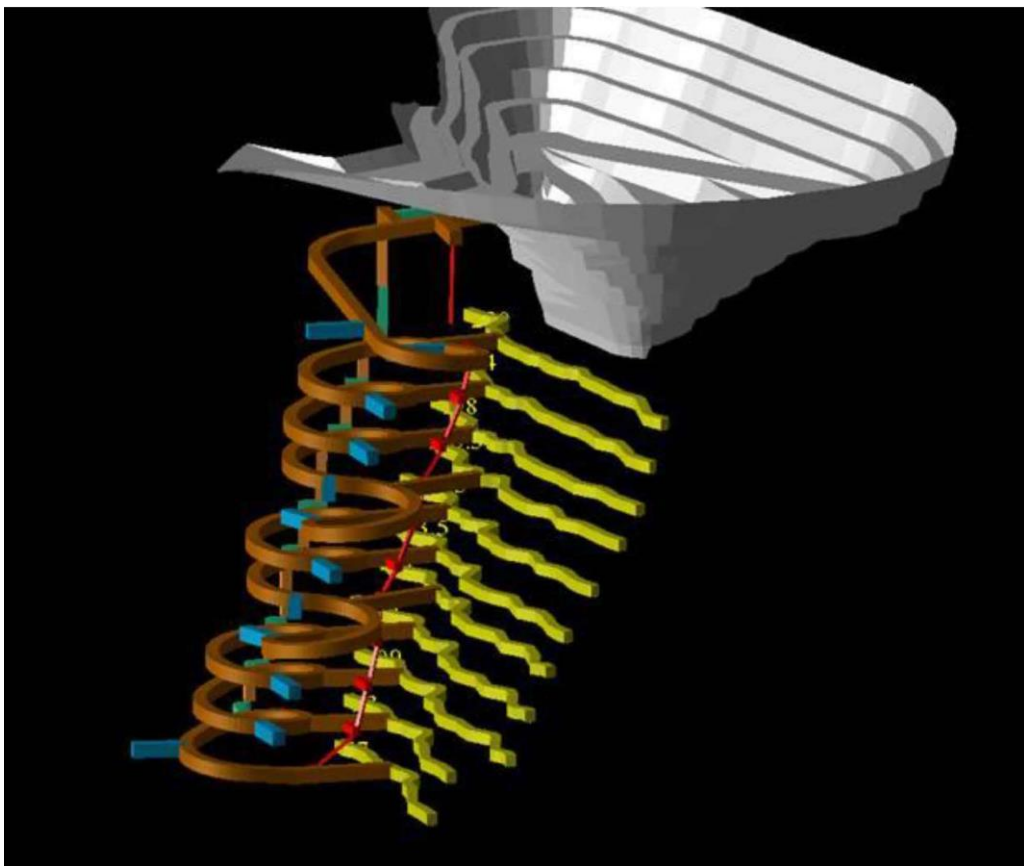


Figure 4: Latest conceptual underground mine design for Penny's Find.

Barloweerie (WA): Silver - Zinc - Lead Project (100% interest)

The Company has recently applied for a 110km² exploration licence located approximately 155km west of Cue, WA.

The exploration licence application covers part of the Barloweerie greenstone belt where historical exploration discovered anomalous silver and base metal mineralisation in a volcanogenic massive sulphide (VMS) setting.

Initially, re-processing and modelling of pre-existing detailed aeromagnetics will be undertaken to identify possible drill targets close to known mineralisation.

Yuinmery (WA): Copper - Gold Project (100% interest and earning 91% interest in adjoining tenements)

The Yuinmery project is a volcanogenic massive sulphide (VMS) copper - gold project located 80km southwest of Sandstone, WA. The Company has already outlined a copper-gold deposit at the **Just Desserts** prospect as reported in previous quarterly reports.

Previous exploration has also intersected significant copper-gold mineralisation at the A Zone prospect situated just 1.3km along strike from the Just Desserts deposit.

No field work was undertaken during the quarter.

CORPORATE

FYI Resources Limited (Empire 4.4% interest)

ASX-listed FYI Resources Ltd (ASX Code "FYI") is focused on potash exploration in South East Asia where potential exists for the discovery of first tier potash deposits.

FYI Resources is currently in joint venture negotiations with a Chinese group regarding resource development and potential production in Laos. It also has applications pending for potash tenements covering two separate project areas in Thailand.

Whilst the potash strategy is continuing, FYI has pursued a high purity alumina (HPA) development opportunity in Western Australia through the purchase of 100% of the shares of Kokardine Kaolin Pty Ltd, as announced to the ASX on the 8 May 2017.

During the quarter the Company sold 5 million FYI shares at \$0.08 to raise \$400,000.

DAVID SARGEANT
MANAGING DIRECTOR

April 2018

For further information on the Company,

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Competent Persons

The information in this release concerning the Mineral Resources for the Penny's Find Deposit have been estimated by Mr Peter Ball B.Sc who is a director of DataGeo Geological Consultants and is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Ball has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and qualifies as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ball consents to the inclusion in this public release of the matters based on his information in the form and context in which it appears.

Tenement Holdings at 31 March 2018				
PROJECT	TENEMENT NUMBER	PERCENTAGE INTEREST HELD	PERCENTAGE INTEREST HELD	COMMENTS/ CHANGES SINCE LAST QUARTER
		31 December 2017	31 March 2018	
PENNY'S FIND	E27/410	60	60	
	E27/420	60	60	
	E27/553	60	60	
	E27/591	60	60	
	E27/592	60	60	
	E27/593	60	60	
	G27/1	60	60	
	L27/90	60	60	
	L27/91	60	60	
	L27/92	60	60	
	L27/93	60	60	
	M27/156	60	60	
	P27/2007	60	60	
	P27/2008	60	60	
	P27/2245	60	60	
	P27/2262	60	60	
BARLOWEERIE	E59/2306	0	100	APPLICATION
YUINMERY	M57/265	100	100	
	M57/636	100	100	APPLICATION covers P57/1214 - 1217
	P57/1214	100	100	
	P57/1215	100	100	
	P57/1216	100	100	
	P57/1217	100	100	
	E57/1037	100	100	
EVOLUTION	E57/681	0	0	OPTION TO ACQUIRE 91% INTEREST
OPTION	E57/1027	0	0	